



LITTLE HOOVER COMMISSION

April 29, 2002

The Honorable Gray Davis
Governor of California

The Honorable John Burton
President pro Tempore of the Senate
and members of the Senate

The Honorable Herb Wesson
Speaker of the Assembly
and members of the Assembly

The Honorable James L. Brulte
Senate Minority Leader

The Honorable Dave Cox
Assembly Minority Leader

Dear Governor and Members of the Legislature:

The Little Hoover Commission has reviewed the Governor's plan to put the Department of Industrial Relations, the Employment Development Department, the Workforce Investment Board and the Agricultural Labor Relations Board into a new Labor and Workforce Development Agency. While the new agency would have the potential to better coordinate these operations, the plan does not contain the details necessary for the Commission to conclude with significant confidence that the plan will improve service delivery.

The Commission recommends that the Legislature allow the plan to go into effect, but subject to lawmakers receiving a firm commitment from the administration to develop a detailed plan, with specific goals and priorities, and a means of measuring progress.

By far the most significant challenge before the State in this policy area is to improve the effectiveness of the vast workforce development efforts that are essential to the success of many individual Californians and the state's overall prosperity. While the plan establishes the new agency to coordinate these efforts, the administration appears to have shelved the ambitious goals outlined in the Governor's budget to reorganize and streamline the actual programs. Instead, the administration has created a task force that is focused on coordination and accountability, avoiding the turf-related controversies inherent in the January budget proposal.

While reallocating funding may be difficult – and it may not even be the right first step – the commitment should be to improve performance, even if that means reallocating funding to the institutions or agencies that provide the greatest return on investment.

The plan also asserts that the new agency will improve enforcement efforts that aim to make California a safe and profitable place to work. But with no changes to the actual programs or their organization, there is little evidence that enforcement activities will be more effective than they could be today.

Similarly, the administration asserts that the new agency will link the data collection and research activities of the Employment Development Department and the Department of Industrial Relations, bringing these resources to bear by more accurately describing the economy and guiding public policy and private investment. This effort does not necessarily require a new agency, and a new agency alone will not erase the legal, technical or even cultural hurdles that thwart cooperation today.

Finally, some adjudicatory bodies related to the workplace are included in the new agency, while others are left out. For instance, the administration could not provide a specific rationale for including the Agricultural Labor Relations Board in the new agency, but not the Public Employment Relations Board. Moreover, the plan does not consider whether the administrative operations of these boards could be reorganized to improve efficiency while maintaining independent decision-making.

One argument presented on behalf of this new agency is that California is the only large state without a labor agency. The Commission's research shows that there is no standard model among the large states for what to include in a labor-related organization. But the analysis does show that many states have integrated their workforce development programs – which this plan does not do at this stage.

Perhaps the most glaring shortcoming is the missing element: the integration of workforce development and economic development. Over the last dozen years, some progress has been made toward integrating workforce development programs. But cutting-edge policy has moved on to the next step in this evolution – fusing efforts to develop skilled workers with efforts to attract, retain, and expand high-quality jobs. The Reorganization Plan barely hints at the challenge of aligning the \$4.6 billion the State spends each year on workforce development and the billions more it spends on economic development.

Every witness who testified before the Commission supported the plan, but most of that support was based on the potential for a new agency to exert leadership rather than the attributes of the plan itself. Importantly, many of the consumers of these state services – local workforce and economic development agencies, and the businesses and workers they serve – advocated that the new agency be focused on improving outcomes for them rather than improving efficiency at the state level.


In short, the reorganization plan by itself is hardly an improvement. But it is an important opportunity. Each new organization – with good leadership and clear goals – has the opportunity to break down traditional barriers and reinvigorate the people involved to pursue a common purpose.

The mission of the new Labor and Workforce Development Agency is an essential one. Other executive branch agencies and the Legislature should support it. But it also will be essential for the agency to develop a meaningful business plan with clear goals, the right priorities and a commitment to publicly measure progress based on performance as valued by the customer.

Assuming the new agency begins operation on July 1, 2002, the fundamental components of the plan should be in place for the Legislature to review when it returns in January 2003. The 2003-04 budget for the agency should include performance measures and other details implementing a more complete plan.

The Commission appreciates the cooperation of the public officials and subject matter experts who testified and were consulted in this review. It submits the enclosed report with great respect for those striving to make California a safe, profitable and fulfilling place to work.

Sincerely,



Michael E. Alpert
Chairman

Only A Beginning

*The Proposed Labor & Workforce
Development Agency*

April 2002

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The Reorganization Process

Under the law, the Governor has the prerogative to reorganize state departments to improve their efficiency or effectiveness. The authority is defined in Article 5, Section 6 of the Constitution, and detailed in the Government Code.¹ The purpose of the law is to allow the Governor to make improvements in the administration of programs more swiftly than if those changes were made through the legislative process.

The reorganization process calls for the Governor to propose a plan, for the Little Hoover Commission to review that plan, and for the Legislature to either allow the reorganization to go into effect, or to stop it by a majority vote in either house.

That statute provides a specific time line. The Governor must give the plan to the Commission for study and recommendation 30 days prior to giving it to the Legislature. In the case of Reorganization Plan No. 1, the plan was presented to the Commission on March 1, 2002. The Commission is required to issue its report within 30 days of the plan being presented to the Legislature. As of April 25, 2002 the administration had not forwarded the plan to the Legislature. Once the Legislature receives the plan, it has 60 days to reject it, or the plan automatically becomes law. The Legislature may reject it by a resolution adopted by the Senate or the Assembly.

In conducting this review, the Commission conducted a public hearing on March 19, 2002; a list of the witnesses is in Appendix A. The Commission also interviewed experts, and reviewed analyses of the departments and policy issues involved.

The Reorganization Statute

Government Code Section 12080.1. The Governor, from time to time, shall examine the organization of all agencies and shall determine what changes therein are necessary to accomplish one or more of the following purposes:

- (a) To promote the better execution of the laws, the more effective management of the executive and administrative branch of the state government and of its agencies and functions and the expeditious administration of the public business;
- (b) To reduce expenditures and promote economy to the fullest extent practicable consistent with the efficient operation of the state government;
- (c) To increase the efficiency of the operation of the state government to the fullest extent practicable;
- (d) To group, consolidate and coordinate agencies and functions thereof as nearly as possible according to major purposes;
- (e) To reduce the number of agencies by consolidating those having similar functions under a single head and to abolish such agencies or functions thereof as may not be necessary for the efficient operation of the state government;
- (f) To eliminate overlapping and duplication of effort.

The Reorganization Plan

This Reorganization Plan will combine the Department of Industrial Relations (DIR), the Employment Development Department (EDD), the Workforce Investment Board (WIB) and the Agricultural Labor Relations Board (ALRB) under a new California Labor and Workforce Development Agency. The agency will be led by a secretary of labor.

Organizationally, the Department of Industrial Relations, Workforce Investment Board and Agricultural Labor Relations currently report directly to the Governor. EDD is part of the Health and Human Services Agency. The director of the Department of Industrial Relations is considered to be a cabinet-level position and so has served as a “de facto” labor secretary.

The plan identifies the major benefit of the proposal as coordination among the programs that will be under the umbrella of the new agency:

For workers, coordination will result in improved access to employment and training programs and additional protection of their workplaces. For employers, coordination will enhance enforcement and extend a level playing field that decreases the unfair economic advantage of employers who do not pay employment taxes, the minimum wage or fail to provide workers’ compensation coverage.

The administration describes the plan as the first step toward eliminating duplication, increasing efficiency and promoting accountability and access to programs. In written and oral testimony to the Commission, the administration stressed three areas where improvements will be made:

Workforce Development. The new agency will attempt to better coordinate the diverse workforce development programs that are administered by numerous state agencies and largely implemented by local agencies. The administration has created a task force to develop a more detailed plan for how this will be accomplished.

Workplace Enforcement. By coordinating the investigative efforts of the Department of Industrial Relations and the Employment Development Department, the new agency hopes to improve enforcement of laws intended to protect workers and catch employers who are not paying taxes.

Research and Data Collection. The new agency also will coordinate the data collection and analysis by DIR and EDD so employers, program administrators and policy-makers can better use that information.

More Details in the Budget

In addition to the reorganization plan, the Governor in the 2002-03 budget plan proposed far-reaching changes to improve the organization and management of the workforce development system. The budget proposal called for:

- Consolidating into the new labor agency job training programs that provide core employment services, economic development and job training services to special populations.
- Consolidating all existing apprenticeship programs under the Department of Industrial Relations.
- Consolidating all vocational and adult education programs under the California Community Colleges.
- Block grants to local training agencies, applying rigorous standards of accountability and shifting the focus of workforce development from short-term job training to economic development.

On the Web

Governor's Reorganization Plan No. 1 of 2002
<http://www.lhc.ca.gov/lhcdir/grplabor/GRPLabor.pdf>

Governor's Budget Plan
<http://www.lhc.ca.gov/lhcdir/grplabor/workforcebudget02-03.pdf>

Governor's Workforce Development Task Force
<http://www.edd.ca.gov/edtrainhlp.htm>

Testimony from Little Hoover Commission's Hearing on March 19, 2002
<http://www.lhc.ca.gov/lhcdir/grplabor/labor.html>

The Commission's Report
<http://www.lhc.ca.gov/lhcdir/report164.html>

The Reorganization Plan, however, does not contain any of those specific actions and the plan itself does not address when or how the new agency will propose or attempt to implement those changes. Rather, administration officials say those proposals are being reviewed by the Governor's Workforce Development Review and Reform Task Force. The task force posted preliminary recommendations on the Web and asked for comments by March 29. The recommendations were to:

1. Develop a stronger and more coordinated workforce development effort across state agencies.
2. Include all workforce preparations programs in the Performance Based Accountability system.
3. Focus on workforce preparation for adults.
4. Improve service delivery integration at the One-Stop Service Delivery Centers.
5. Achieve better integration of state and regional economic priorities with workforce preparation programs.

Objectives of Labor and Workforce Development Agency

The entire Reorganization Plan is in Appendix B. The objectives of the new agency as outlined in the Reorganization Plan:

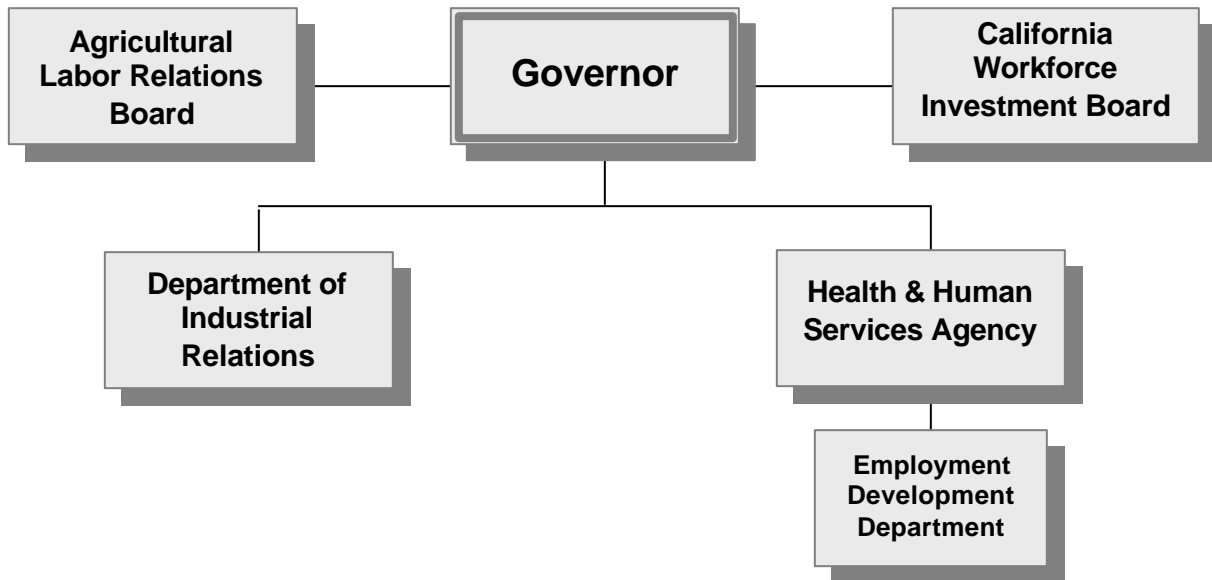
This proposal for the creation of a Labor and Workforce Development Agency should be evaluated in the context of workforce development and workforce safety goals as stated by the Legislature and the Administration, including:

- Simplify, strengthen, and improve the operation and management of programs that protect and provide services to California's workers and employers.
- Eliminate duplication, achieve cost efficiencies, and promote accountability and program access.

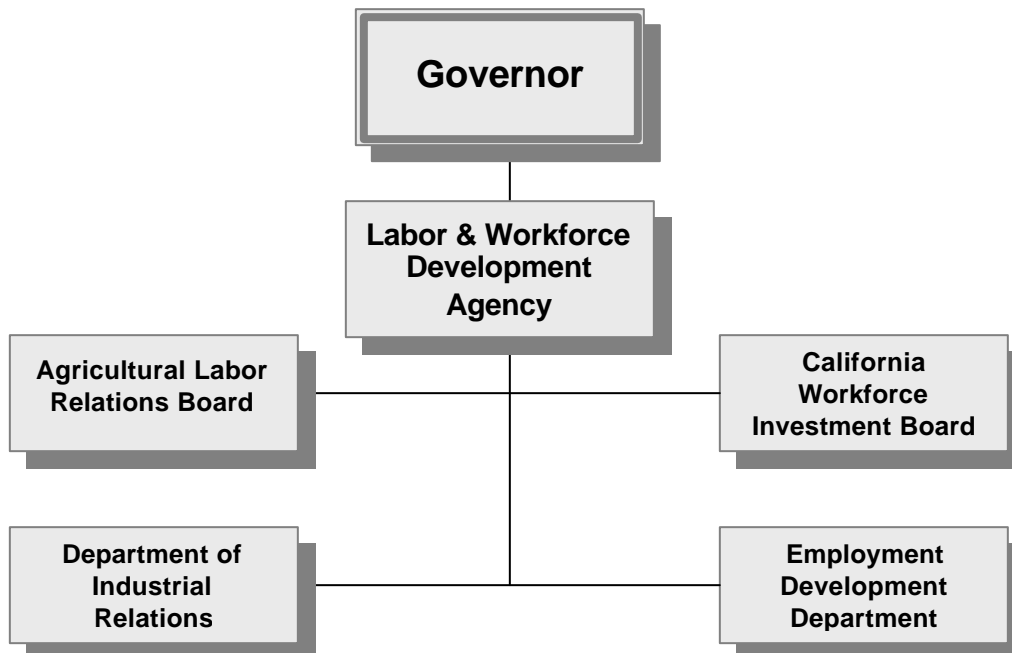
The agency would improve California's ability to achieve these goals. In addition, the agency would:

- Marshall its resources to systematically match worker training programs with regional labor market needs to create skilled, middle-class jobs that offer a secure future to Californians.
- Create a primary point of accountability for the Administration and the Legislature to measure the success and the needs of the system.
- Assure there is a Cabinet-level voice for workforce-related issues raised for the Governor's consideration and decision.
- More closely coordinate enforcement activities so the Employment Development Department (EDD) can capture lost revenue from the underground economy while the DIR protects workers exploited in the underground economy.
- Coordinate and manage information and data on the workforce and economy with a partnership between the DIR Division of Labor Statistics and Research and the EDD Labor Market Information Division.
- Build on the successful One-Stop Taxpayer Service Centers operated by the EDD, the Franchise Tax Board and the Board of Equalization by adding services for employers and workers such as information on workers' compensation, labor standards, safe working conditions and job training opportunities.
- Consolidate service points throughout California for the EDD, DIR and the Agricultural Labor Relations Board (ALRB).
- Coordinate the apprenticeship programs in the DIR with the employment and training programs at the EDD to meet the growing need and demand for skilled trade and craft workers.
- Strengthen protection for sick or injured California workers by closer cooperation between the disability insurance program at EDD and the workers' compensation program at DIR.

***Current Organization of State Agencies Involved
in the Governor's Reorganization Plan***



New Labor Organization Structure



The Commission's Review

The Commission reviewed the three opportunities identified by the administration: improved workforce development, workplace enforcement, and data collection and research. It also identified two issues that should be given greater consideration: the organization of the adjudicatory boards and the integration of workforce and economic development efforts. The Commission also reviewed the structures of labor agencies in other states. A summary of that information is contained in Appendix C. Finally, the Commission reviewed the history of these functions and how they have been organized, which is summarized in Appendix D.

Workforce Development

The federal Workforce Investment Act and related state reforms have made significant changes in how work-related training and education programs are administered. With the goal to coordinate efforts and make programs performance-based, California created the Workforce Investment Board and 50 local workforce investment boards. Some 150 local “one-stop shops” provide consolidated access to more than a dozen job training and economic development programs.

California has made considerable progress, according to analysts, but significant reforms are still necessary. In particular, local providers report that they are still frustrated by the fragmented state system – and the large number and diverse funding sources and reporting requirements.²

The Workforce Investment Board also has been slow to realize its potential as a business-led policy advisory board that defines standards, advocates for improved performance and documents both progress and shortcomings.

The Governor described the state of workforce development efforts in his 2002-03 budget proposal:

California's continuing economic competitiveness is increasingly dependent upon an educated and skilled workforce. Workers, however, too often find it confusing to access job training, job placement and educational services for career ladder development in the complex labyrinth of existing state programs. Employers find it difficult to locate and attract qualified workers for high-skilled, high-paying jobs as well as for entry-level jobs.³

The budget describes the \$4.6 billion investment – \$2 billion from the state General Fund – as a patchwork of 34 programs administered by 13 different entities. (The California Research Bureau puts the numbers at 39 job training programs administered by 11 departments.)⁴

To resolve these long-standing problems, the budget proposed consolidating many of the programs, changing how funds were allocated, and improving performance measures.

But the reorganization plan does not make those changes. The reorganization plan would only effect training programs that are housed in EDD by moving that department from the Health and Human Services Agency into the new labor agency. By itself this move could actually increase the fragmentation by severing the agency link between the training programs in the Department of Social Services that are related to CalWORKs and those housed within EDD. At the very least, the move will require more deliberate coordination among the \$2.7 billion in training programs that are now within one agency, but would now be split among two agencies.

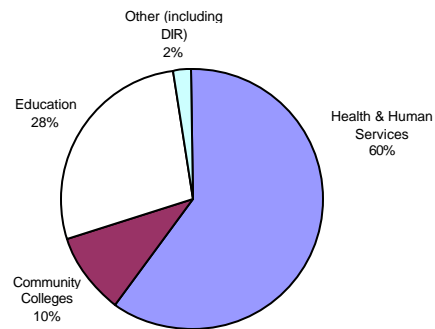
When asked why the reorganization plan does not implement the budget proposal, the administration responded that the task force has not finished its deliberations. Importantly, the preliminary recommendations of the task force did not call for consolidating or transferring any programs, but only addressed how they could be better coordinated.

Concerns and Opportunities:

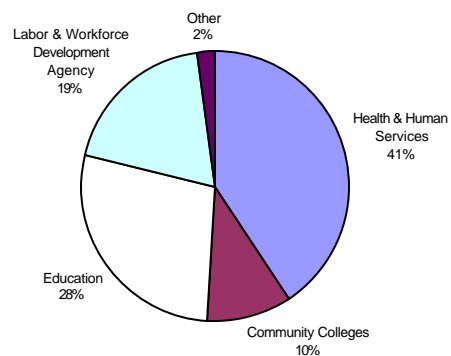
The Workforce Investment Board needs to be strengthened.

Whether or not the board is within a new labor agency, the board holds the greatest potential to unite the efforts of the disparate programs so local agencies can better serve their communities. The board, however,

Current Job Training Programs in California



Job Training Programs after the Reorganization



Source: Governor's Budget Summary, 2002-03.

has struggled to satisfy the expectations of the Legislature or to be a forceful venue for developing a policy agenda.

Currently the board reports directly to the Governor. Under the new agency structure the board will report through the agency secretary. Given the makeup of the board, this new reporting relationship could diminish the potential of the board to play a coordinating role that transcends department and agency boundaries.

The Governor and the Legislature should specify the relationship between the board and the secretary, and perhaps even put the secretary on the board. Whatever changes are made, they should be to strengthen the board's influence and accountability. For instance, the board, rather than a new task force, could have been responsible for developing a plan for improving workforce development. Strengthening the board also will require policy-makers to reconsider its size; a membership that at one time grew as large as 64 is almost certainly too big. At the least, the board needs to formalize protocols for meaningfully, but efficiently considering issues.

Align goals, incentives and performance measures.

While multiple agencies may always be involved in workforce development, the structure is not in place to make sure they are working in concert toward common ends. Funding methods and accountability measures are large influences in organizational behavior. And while they may not be the same for different entities, funding mechanisms and performance measures should be aligned with policy goals.

For example, community colleges are funded by enrollment early each semester, providing no incentive to help students complete courses or programs. CalWORKs programs are funded and measured by participation, whether clients are in class or in jobs, even if those classes or jobs will not lead to economic independence. Workforce Investment Act programs are measured by meaningful outcomes, such as job retention and wage improvement. But more could be done to ensure that those measures elicit the intended behavior by program managers.

CalWORKs must be carefully coordinated with the new agency.

The CalWORKs welfare-to-work program is not included in the new labor agency. But at the local level, CalWORKs clients access services through the Workforce Investment Board's one-stop centers. CalWORKs funding can make up as much as 50 percent of the resources used by these local centers. The new labor agency and the Health and Human Services Agency will need to ensure that CalWORKs clients have seamless access to other workforce development services overseen by the new labor agency at the state level, but provided through the one-stop centers at the local level.⁵

Workplace Enforcement

The Department of Industrial Relations administers labor law and Cal/OSHA. The Division of Labor Standards and Enforcement, headed by the labor commissioner, enforces child labor, minimum, overtime and prevailing wage laws. The Division of Occupational Safety and Health enforces workplace health and safety standards and safety regulations for elevators, amusement rides and passenger tramways. It also enforces standards for pressurized vessels.

The Employment Development Department ensures that employers pay their payroll taxes. Those taxes support unemployment insurance benefits, which the department also administers.

Together, these programs protect workers economically and physically. These efforts also benefit the economy at large by helping to make California a safe and fair place to work and do business.

The administration said the enforcement units within EDD and DIR have been working more closely together, often by targeting the same employers for multiple violations. The state's Joint Enforcement Strike Force on the Underground Economy has been targeting employers who break a variety of labor, wage and safety laws in an attempt to cut costs.

The California Labor Federation testified the underground economy is an increasing threat to worker well-being. Enforcement efforts, the federation said, are hampered by poor coordination among the agencies responsible for enforcement. The federation believes the problem is the lack of a "policy body that has the mandated authority, discretion or vision to bring these departments together in a cohesive way."⁶

Concerns and Opportunities:

Enforcement efforts need to be documented, evaluated.

It seems practical that even closer sharing of resources and information could improve enforcement actions. But simply having the two enforcement units under the umbrella of a new agency – while still parts of larger departments – will not bring the desired results. There may be opportunities for these two enforcement units to work more efficiently or effectively by co-locating units or taking other steps to integrate the operations, functionally if not organizationally.

The administration should develop a work plan that identifies opportunities for improving efficiencies or effectiveness, and a reporting mechanism that could be used to track progress.

Data Collection / Research

EDD and DIR have data that is collected for a wide variety of purposes required for administering state programs, or meeting federal requirements. The data, however, also can be used to develop information that could be helpful in reducing the underground economy, devising policy, targeting outreach and training efforts, and holding public programs accountable.

There is widespread opinion that the State is not making the most of the data and the administration lists that problem as one of three problems the agency will solve.

But the issue is complicated. Legal constraints limit how some data can be used and by whom. Technical constraints make it difficult to match data and develop information. Parochial concerns guide priorities and the use of discretionary resources.

For example, EDD provides data to DIR that allows it to track down employers who are not paying workers' compensation premiums, to calculate prevailing wage information, and to monitor labor contractors. But these kinds of relationships have been worked out on a case-by-case basis rather than through a broader commitment to mine data to derive knowledge. And officials in both agencies describe frustration over trying to access data or develop better working relationships.

Moreover, data is scattered over multiple departments and often is embedded within technologically antiquated systems. Often, the most useful data is not collected or analyzed and so is not available to those who need it most. For example, local economic development agencies are unable to tap into the CalJobs program at EDD, even though CalJobs data are supplied by employers.

The proposal provides for the agency to act as a bridge and exert the leadership necessary to work through these long-standing problems. But beyond the stated intention, the administration has not provided details about what will be its priorities and how it will go about resolving these issues.

Concerns and Opportunities:

A venue should be established for setting a research agenda.

The secretary, working with the Workforce Investment Board and the Economic Strategy Panel, should develop a process and a venue for determining which information would be most helpful to policy-makers,

local programs and employers. The secretary could ensure that barriers to developing that information are eliminated. The secretary also could develop university and other partnerships that would allow that information to be developed, even if the State cannot afford to fund the project.

A technical and legal working group should identify barriers.

In general, two barriers often prevent data from being developed into useful information: technical challenges of working with different data bases and confidentiality concerns when dealing with information about individuals and individual businesses. Sometimes these problems are reconcilable and sometimes they are not.

Either way, without assertive pressure to lower barriers where possible, the data remains inaccessible. The administration, even if the agency is not created, could create a working group of technical and legal experts, along with consumers of the information, to identify, analyze and lower barriers to putting the data to use.

The agency should establish a one-stop data source.

Consumers of state data and information should not have to hunt for it, or be told it does not exist because they are looking in the wrong place. The agency should develop a single clearinghouse for workforce and economic-related data.

Adjudicatory Boards

Several state boards serve as adjudicatory venues for employees and employers. The boards are “quasi-judiciary” because they have independent authority to review decisions on unemployment insurance, workplace safety and health violations, and employment discrimination. They run and certify union elections for agricultural labor and settle disputes between public employees and employers. Three of these boards are structured within state agencies and two of the boards report directly to the Governor.

- ***Agricultural Labor Relations Board (ALRB).*** The ALRB reports to the Governor and is split into two units: the general counsel’s office, which runs elections and investigates charges of unfair labor practices, and the board, which certifies elections, adjudicates and mediates claims of unfair labor practices. It has an annual budget of \$4.8 million and 50 employees. The five-member board meets a minimum of once a week in Sacramento.

- **California Unemployment Insurance Appeals Board.** Within EDD, the California Unemployment Insurance Appeals Board reviews and decides appeals concerning claims for unemployment and disability benefits. It has an annual budget of \$57.9 million and more than 600 employees. The seven-member board meets monthly, six times a year in Sacramento and six times a year in field offices.
- **California Occupational Safety & Health (Cal/OSHA) Appeals Board.** The Cal/OSHA Appeals Board is within the Department of Industrial Relations. It handles appeals from private and public sector employers regarding citations issued by the Division of Occupational Safety and Health for alleged violations of workplace safety and health laws. It has an annual budget of \$3.4 million and 33 employees. The three-member board meets two to three times per month in Sacramento and occasionally in West Covina.
- **Workers' Compensation Appeals Board.** This board, within the Department of Industrial Relations, adjudicates workers' compensation claims that have been appealed for reconsideration. It has an annual budget of \$3.9 million and 38 employees. The seven-member board meets in San Francisco.
- **Public Employment Relations Board (PERB).** The Public Employment Relations Board reports directly to the Governor. It oversees public sector collective bargaining and adjudicates disputes between public employees and employers. It has a \$4.7 million budget and 46 employees. The five-member board meets weekly in Sacramento.
- **Fair Employment and Housing Department and Commission.** These entities report through the State and Consumer Services Agency. The department investigates cases of employment and housing discrimination. The seven-member Commission adjudicates cases brought by the department. Together they have a \$22 million budget and 310 employees.

The board members described above are appointed by the Governor and confirmed by the Senate, with one exception. The California Unemployment Insurance Appeals Board has five members appointed by the Governor, one member appointed by the Senate Rules Committee, and another member appointed by the Speaker's office.

The Reorganization Plan proposes to include four of the six adjudicatory boards into the new agency:

- The Unemployment Insurance Appeals Board would remain within the Employment Development Department.
- The California Occupational Safety & Health Appeals Board and the Workers' Compensation Appeals Board would stay within the Department of Industrial Relations.
- The Agricultural Labor Relations Board would no longer report directly to the Governor, but would report through the Labor and Workforce Development Agency.

The Public Employment Relations Board will remain independent. The Department and Commission of Fair Employment and Housing would remain in the State and Consumer Services Agency.

Concerns and Opportunities:

Rationale for which boards are included is inconsistent.

A primary concern regarding these boards is to ensure that individual decisions are based on the law and the facts, free from political pressure. The administration and some of the witnesses asserted that the three boards within EDD and DIR have a history of independent decision-making, even when the department itself is a party in the case.

The administration asserts that the benefit of including ALRB in the new agency is to enable its outreach activities to be linked with those of EDD and DIR. While the board also would report to the agency for budget purposes, the administration believes that the board's decision-making activities – including its internal allocation of resources – will be insulated from political influence.

The administration, however, explained that PERB was left out of the new agency because of potential conflict of interests. The board, whose jurisdiction includes state government, could potentially hear a case involving the labor agency or a department within the labor agency.

The administration also said it left the Department of Fair Employment and Housing and the Fair Employment and Housing Commission out of the new agency because those entities are involved in discrimination complaints involving both the workplace and the housing market. Both the PERB and the Department of Fair Employment and Housing have been included in legislative proposals for a labor agency. Constituent groups, however, opposed their inclusion in the new agency.

New agency creates possibility for additional reorganization.

The Commission believes the primary concern should be the integrity of the boards to make independent decisions. But if the testimony is accurate that the boards within the departments act independently, then the concern that including PERB would create a conflict of interest is unfounded. Moreover, the new agency might present an opportunity to organize the boards in ways that fortifies their independence from the departments.

The Unemployment Insurance Appeals Board, which enjoys virtual independence in terms of administrative and legal authority, in fact requested that it report directly to the new agency secretary. That board asserts the move would reduce duplication of administrative functions.

Consideration should be given to the opportunities for operational efficiencies among the boards, either as independent entities or by sharing administrative units and adjudicatory staff.

The Commission was not persuaded that any of these factors were given careful scrutiny before determining which boards should be included in the new agency. While this issue may not be a top priority for the administration, it could be included in a business plan for carefully revisiting the organization of these boards to increase efficiencies and public access.

Economic Development

The Workforce Investment Act, along with state-initiated reforms, has attempted to improve the performance of efforts to give Californians the skills to climb career ladders. These skills translate to higher earnings and more reliable employment. Greater emphasis also has been placed on workforce development as a means of attracting and retaining high-wage employers.

The California Association of Economic Development testified that prospective employers are often more interested in the availability of a quality workforce than they are in tax subsidies or some other incentive. The association believes the new labor agency would have the opportunity and the burden of linking economic and workforce development:

Reorganizing the workforce development system will only be successful if the new system (Labor Agency) utilizes a demand-side approach to workforce development. The local economic development system is a link to business and jobs. If the goal for workforce development is to get people to work then working with local economic

development must be a priority. The new agency needs to demonstrate how that will occur.⁷

From the economic development perspective, the “system” is even more fragmented than when viewed from a workforce development perspective. In addition to the multiple sources of job training and education, economic development programs are tied to a different state agency – the Technology, Trade and Commerce Agency. And as the California Budget Project documented in its report *Maximizing Returns*, that agency only administers a small portion of the investment in economic development.⁸

While it is unrealistic that any agency will encompass the full range of workforce and economic development programs, experts are virtually unanimous in advocating that the two be integrated. The reorganization plan, however, barely mentions the need to make this link between the workplaces of today and the workplaces of tomorrow.

Concerns and Opportunities:

Integrate workforce and economic development efforts.

The agency’s plan to streamline and coordinate workforce development efforts should quickly evolve into an effort to link workforce investments with programs intended to attract and retain employers. Some of the previously described opportunities – such as developing useful information and developing accountability standards – could be broadened to include both services to businesses as well as those to workers. Strategic planning efforts between the labor agency and the Technology, Trade and Commerce Agency also should be linked.

Identify and focus on the needs of the customers.

Local economic development and workforce investment officials report that they are working to make their programs both coordinated and customer-driven. To the extent they are successful they will improve both the skills of workers and the availability of high-skilled jobs. For the state to become customer-driven, it must listen carefully to its local partners.

Conclusions and Considerations

The Commission heard important testimony from Don Vial, who has served the state in many ways – including as director of the Department of Industrial Relations, the State's de facto labor secretary.

Mr. Vial counseled that even absent details the new agency would create a different framework that can change how people think about what they are trying to accomplish and their capacity to improve outcomes.

But a framework alone is inadequate. To seize the opportunity of new organizations, the new agency must have clear goals endorsed by policy-makers, strong leadership by the executive branch, and accurate performance measures. These elements would allow for the more significant reforms requested by consumers of the state's services, as represented here in the testimony by the California Association for Local Economic Development:

The Governor's proposal suggests progress, but the devil is in the details and in the implementation. It is not a tweaking of the current system that is required, but a full-blown re-engineering and reinvention. The State can be a leader in this regard or simply a protector of the status quo. Strategic alignment and collaboration are, as always, critical to delivering an effective workforce system.

An essential element will be the development of goals based on the needs of local communities and regional economies.

Many local economic development agencies, workforce investment boards, social service providers, community colleges and educational entities already work together to provide a seamless experience at the one-stop career centers. To effectively serve clients, local entities often operate in gray areas – taking advantage of the ambiguities in the law because the specifics of the law can frustrate their efforts.

It's estimated that 70 percent of the local workforce investment boards already "get around" state regulations regarding client information to provide better service. The State should emulate models set by local agencies for cooperation and collaboration across programs. The goal should be to develop funding and accountability mechanisms that accurately and efficiently elicit the desired outcomes.

There is no doubt reform is needed. There is no doubt that many of the opportunities identified by the administration, the involved agencies and

others should be seized. But the structure alone does not accomplish any of the identified opportunities.

The Commission recommends that the first task of the new labor agency be to develop a specific plan that will define specific goals and describe how those goals will be pursued. The plan also should establish timelines and performance measures.

In this report the Commission identified specific opportunities and concerns that it became aware of in its brief review. More opportunities can likely be identified by the professionals within these agencies and those they serve in California's communities.

Appendices & Notes

- ✓ Public Hearing Witnesses
- ✓ Governor's Reorganization Plan No. 1 of 2002
 - ✓ Labor Agencies in Other States
 - ✓ History of Labor Agency Proposals
 - ✓ Commissioner Dissent
 - ✓ Notes

Appendix A

Little Hoover Commission Public Hearing Witnesses

***Witnesses Appearing at Little Hoover Commission Public Hearing on
Governor's Reorganization Plan No. 1 of 2002 - March 19, 2002***

The Honorable Richard Alarcon
Member, California State Senate

Andrew Baron, Executive Director
Workforce Investment Board

Michael S. Bernick, Director
Employment Development Department

Nicholas P. Bollman, President
California Center for Regionalism and
Chair, Speaker's Commission on
Regionalism

Allen Davenport
Director of Government Relations
Service Employees International Union
California State Council

Sharon Scott Dow, Legislative Advocate
California Teachers Association

Pam Haynes, Legislative Advocate
California Labor Federation

Patricia Nunn, Chair
California Workforce Association and
Economic Development Director
City of Santa Ana

Jean Ross, Executive Director
California Budget Project

Wayne Schell, President
California Association for Local Economic
Development

Ron Selge
Dean of Career Development Partnerships
California Community Colleges

Genevieve Shiroma, Chairwoman
Agricultural Labor Relations Board

Stephen J. Smith, Director
Department of Industrial Relations

Don Vial, Chairman
California Foundation on the Environment
and the Economy

Willie Washington
Director of Human Resources
California Manufacturers and Technology
Association

Appendix B

Governor's Reorganization Plan No. 1 of 2002 *The California Labor and Workforce Development Agency*

Introduction

California is one of two major industrialized states without a cabinet-level labor agency modeled after the federal scheme. Coordination of gubernatorial programs and policies is important to California workers and employers, especially in the areas of labor standards, worker safety and protection, and training and regulatory policy.

For workers, coordination will result in improved access to employment and training programs and additional protection of their workplaces. For employers, coordination will enhance enforcement and extend a level playing field that decreases the unfair economic advantage of employers who do not pay employment taxes, the minimum wage or fail to provide workers' compensation coverage.

In general, other state agencies that share joint disciplines are organized under an agency structure. There is currently no formal coordination of labor and employment programs in state government. One of the guiding principles of the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy is "... efficiency and effectiveness is maximized when similar functions are housed in a single point of authority, responsibility and accountability." While the director of the Department of Industrial Relations (DIR) is designated as a cabinet member, there is a need for increased policy and enforcement coordination that benefits workers, organized labor, industry, business and community organizations.

The state currently has multi-billion dollar job training programs administered by a number of state agencies. These programs were established in response to specific needs, each with its own set of policies and procedures relating to eligibility and performance standards, but they need to be more effectively integrated into the new federally mandated workforce investment system created by the Federal Workforce Investment Act of 1998. This 1998 act requires all employment and training programs to work together to provide customers with information about and access to job training, education, and employment services at a single One-Stop Career Center neighborhood location. The act also requires the establishment of a State Workforce Investment Board. The board oversees the implementation and maintenance of the new system and recommends policies improving the employment and training system in California.

The advent of such a system provides a strong rationale and impetus for the California Labor and Workforce Development Agency (agency) in the Governor's Cabinet bringing together the departments, boards and commissions that train, protect and provide benefits such as unemployment insurance and workers' compensation.

This plan proposes to begin the elimination of duplication, achieve cost efficiencies, and promote accountability and program access with the establishment of the agency effective July 1, 2002.

Objectives of Proposed Labor and Workforce Development Agency

This proposal for the creation of a Labor and Workforce Development Agency should be evaluated in the context of workforce development and workforce safety goals as stated by the Legislature and the Administration, including:

- Simplify, strengthen, and improve the operation and management of programs that protect and provide services to California's workers and employers
- Eliminate duplication, achieve cost efficiencies, and promote accountability and program access.

The agency would improve California's ability to achieve these goals. In addition, the agency would:

- Marshall its resources to systematically match worker training programs with regional labor market needs to create skilled, middle-class jobs that offer a secure future to Californians
- Create a primary point of accountability for the Administration and the Legislature to measure the success and the needs of the system
- Assure there is a Cabinet-level voice for workforce-related issues raised for the Governor's consideration and decision
- More closely coordinate enforcement activities so the Employment Development Department (EDD) can capture lost revenue from the underground economy while the DIR protects workers exploited in the underground economy
- Coordinate and manage information and data on the workforce and economy with a partnership between the DIR Division of Labor Statistics and Research and the EDD Labor Market Information Division
- Build on the successful One-Stop Taxpayer Service Centers operated by the EDD, the Franchise Tax Board and the Board of Equalization by adding services for employers and workers such as information on workers' compensation, labor standards, safe working conditions and job training opportunities
- Consolidate service points throughout California for the EDD, DIR and the Agricultural Labor Relations Board (ALRB)
- Coordinate the apprenticeship programs in the DIR with the employment and training programs at the EDD to meet the growing need and demand for skilled trade and craft workers
- Strengthen protection for sick or injured California workers by closer cooperation between the disability insurance program at EDD and the workers' compensation program at DIR.

The Scope and Process of Reorganization

The proposed Labor and Workforce Development Agency structure will simplify and streamline the administration of functionally integrated programs essential to the well-being of California workers and employers. A system that breaks down administrative and jurisdictional barriers will maximize its impact.

The California Government Reorganization Process

In 1967, the Legislature statutorily recognized the Governor's authority to reorganize the executive branch by using the "executive reorganization" process. That process begins with the Governor's submittal of a reorganization plan to the Little Hoover Commission, which examines the plan and reports its recommendations to the Legislature. Thirty days after submission to the Little Hoover Commission, the Governor may submit the plan to the Legislature. The plan becomes effective on the 61st calendar day of continuous session of the Legislature after the date on which the plan is submitted to the Legislature or at a later date identified by the plan. The plan goes into effect unless either house passes a resolution disapproving the reorganization plan within the 60-day calendar period. After the plan has become effective, the Legislative Counsel prepares, within 90 days, a bill effecting the statutory changes.

The executive reorganization process was established for instances like this – when there is a need for rapid executive action and potential for general agreement on key issues. Many elements of the plan for the agency are also found in legislation introduced in legislative sessions, most recently SB 25 which was introduced by Senator Richard Alarcon.

The Labor and Workforce Development Agency and its Functions

With this background, it is proposed that the agency consist of:

- California Labor and Workforce Development Agency, Office of the Secretary
- Agricultural Labor Relations Board
- California Workforce Investment Board
- Department of Industrial Relations, including:
 - California Apprenticeship Council
 - Cal/OSHA Appeals Board
 - Cal/OSHA Standards Board
 - Commission on Health and Safety and Workers' Compensation
 - Industrial Medical Council
 - Industrial Welfare Council
 - Workers' Compensation Appeals Board
- Employment Development Department, including:
 - California Unemployment Insurance Appeals Board
 - Employment Training Panel

More specifically, the proposed entities and their functions include:

Office of the Secretary

1. **Management Goals:** The secretary, who will report to the Governor, will serve as the primary point of accountability for the management of worker protection and workforce training programs. The Office of the Secretary will bring together functions designed to simplify, strengthen and improve the operation and management of programs that provide services to California's employers and workers.
2. **Proposed Functions:** The office will fulfill the agency secretary role for the boards, departments, councils and commissions within the agency. The secretary will advise the Governor and assist in the implementation of major policy and program matters. The Office of the Secretary also will serve as the principal communication link between the Governor and the constituent units of the agency.

Specific functions to be performed within the Office of the Secretary will include: budget review, review of personnel management, intergovernmental liaison (including the Legislature, local and national governments, and other parts of the state executive branch), information management coordination, strategic planning, a public advisor role and public information responsibilities.

The Office of the Secretary will be responsible for the coordination and oversight of department programs and activities, such as enforcement and fraud detection. In addition, the secretary will oversee the implementation of the workforce investment system to ensure it better responds to the employment, training and education needs of its customers.

The Office of the Secretary will be budgeted from existing sources.

3. *Transferred Functions and Their Origins:*

- Authority for agency secretary oversight of the EDD, the California Workforce Investment Board, the Employment Training Panel and the Unemployment Insurance Appeals Board is transferred from the Health and Human Services Agency.
- Authority for agency secretary oversight for the Agricultural Labor Relations Board is established.
- Authority for agency secretary oversight for DIR, including the California Apprenticeship Council, the Cal/OSHA Appeals Board, the Cal/OSHA Standards Board, the Commission on Health and Safety and Workers' Compensation, the Industrial Medical Council, the Industrial Welfare Commission and the Workers' Compensation Appeals Board is established.
- Authority to advise the Governor on policies affecting these departments and boards, and to serve as the principal communications link between the Governor and these entities, is transferred from the secretary of the Health and Human Services Agency and the director of DIR.

Agricultural Labor Relations Board (ALRB)

- 1. *Management Goals:*** The ALRB is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture, and for investigating and resolving unfair labor practice disputes and should be transferred intact to the labor agency.
- 2. *Proposed Functions:*** All existing policy or regulatory functions of the ALRB will be retained by the ALRB.
- 3. *Transferred Functions and Their Origins:*** The reorganization plan does not transfer any functions to or from the ALRB.

California Workforce Investment Board (state board)

- 1. *Management Goals:*** The state board is responsible for recommending policies on workforce development issues, provision of integrated services, and program accountability.
- 2. *Proposed Functions:*** The state board assists with the development of a five-year workforce investment plan, the designation of the local workforce investment areas and the establishment of the local workforce investment boards. The state board is responsible for reviewing local workforce investment area plans, for development of performance standards and an employment statistics system and for preparing an annual report.

3. **Transferred Functions and Their Origins:** The reorganization plan does not transfer any functions to or from the state board.

Department of Industrial Relations (DIR)

1. **Management Goals:** The DIR is responsible for protecting the workforce in California, improving working conditions and advancing opportunities for profitable employment.
2. **Proposed Functions:** All existing program functions of the DIR will be retained by the department.
3. **Transferred Functions and Their Origins:** The reorganization replaces the director of DIR on the Governor's Cabinet with the secretary of the Labor and Workforce Development Agency.

California Apprenticeship Council

1. **Management Goals:** The council provides policy advice on apprenticeship matters, issues rules and regulations on specific apprenticeship subjects to be published in California Code of Regulations, and conducts appeals hearings.
2. **Proposed Functions:** The council will retain all existing functions.
3. **Transferred Functions and Their Origins:** The reorganization proposal does not transfer any functions to or from council.

California Occupational Safety and Health Appeals Board

1. **Management Goals:** The appeals board is responsible for handling appeals from private and public employers regarding citations issued by the Division of Occupational Safety and Health for alleged violations of workplace safety and health laws and regulations.
2. **Proposed Functions:** The appeals board will retain all existing functions.
3. **Transferred Functions and Their Origins:** The reorganization proposal does not transfer any functions to or from the appeals board.

Occupational Safety and Health Standards Board

1. **Management Goals:** The board is responsible for adopting reasonable and enforceable standards at least as effective as federal standards. The board also grants or denies applications for variances from adopted standards and responds to petitions for new or revised standards.
2. **Proposed Functions:** The board will retain all existing functions.
3. **Transferred Functions and Their Origins:** The reorganization proposal does not transfer any functions to or from the board.

Commission on Health and Safety and Workers' Compensation

1. **Management Goals:** The commission is responsible for the continuing examination of the workers' compensation system and of the state's activities to prevent industrial injuries and occupational diseases and to examine those programs in other states.
2. **Proposed Functions:** The commission will retain all existing functions.

3. ***Transferred Functions and Their Origins:*** The reorganization proposal does not transfer any functions to or from the commission.

Industrial Medical Council

1. ***Management Goals:*** The council is responsible for examining and appointing physicians to be qualified medical examiners who perform the examinations of injured workers that help determine the level of benefits to be received by a worker.
2. ***Proposed Functions:*** The council will retain all existing functions.
3. ***Transferred Functions and Their Origins:*** The reorganization proposal does not transfer any functions to or from the council.

Industrial Welfare Commission

1. ***Management Goals:*** The commission is responsible for ascertaining the wages paid to all employees in the state, the hours and conditions of labor and employment in various occupations, trades and industries, and to investigate the health, safety and welfare of those employees.
2. ***Proposed Functions:*** The commission will retain all existing functions.
3. ***Transferred Functions and Their Origins:*** The reorganization proposal does not transfer any functions to or from the commission.

Workers' Compensation Appeals Board

1. ***Management Goals:*** The appeals board is responsible for review of petitions for reconsideration of decisions by workers' compensation referees, and regulation of the adjudication process by adopting rules of practice and procedure.
2. ***Proposed Functions:*** The appeals board will retain all existing functions.
3. ***Transferred Functions and Their Origins:*** The reorganization proposal does not transfer any functions to or from the appeals board.

Employment Development Department (EDD)

1. ***Management Goals:*** The EDD is responsible for acting as an agent between employers and job seekers; providing benefit payments to unemployed and disabled workers; collecting payroll taxes; administering the employment and training programs under the Workforce Investment Act of 1998; and collecting and providing comprehensive economic, occupational and socio-demographic labor market information about California's workforce.
2. ***Proposed Functions:*** All existing functions will be retained by the EDD.
3. ***Transferred Functions and Their Origins:*** The reorganization plan does not transfer any functions to or from the EDD.

California Unemployment Insurance Appeals Board

1. **Management Goals:** The appeals board adjudicates disputes between appellants/petitioners and the EDD through an administrative hearing process in the areas of unemployment insurance and disability insurance.
2. **Proposed Functions:** The appeals board will retain all existing functions.
3. **Transferred Functions and Their Origins:** The reorganization plan does not transfer any functions to or from the appeals board.

Employment Training Panel (ETP)

1. **Management Goals:** The ETP provides training dollars to employers, primarily small businesses, to ensure they have the trained workers they need to compete in the global economy while providing workers with decent pay and secure employment.
2. **Proposed Functions:** The panel will retain all existing functions.
3. **Transferred Functions and their Origins:** The reorganization plan does not transfer any functions to or from the panel.

Conclusion

Organizational plans, no matter how extensive or well-conceived, will not in themselves ensure consolidation and coordination of functions. It is essential that a Labor and Workforce Development Agency is established without delay in order to more effectively accomplish the goals of this Administration.

The organizational model described above should be viewed as the first step in a continuing effort to improve California's economic environment and the support of government for the state's workers and employers. Further examination and legislative changes will be necessary to ensure that the Labor and Workforce Development Agency provides the necessary resources, expertise and accessibility to make a difference in the lives of all working Californians. As the fifth largest economy in the world, California has already set a standard for the rest of the country with its vitality, flexibility and innovation. The Labor and Workforce Development Agency can help set a companion standard: one of commitment, effectiveness and engagement with a workforce, which always has driven the engine of the state's prosperity.

Appendix C

Labor Agencies in Other States

The Governor's Reorganization Plan states that "*California is one of two major industrialized states without a cabinet-level labor agency modeled after the federal scheme.*" In testimony before the Commission, it was stated that only California and Illinois lack a cabinet-level labor agency.

In reality, the other eight of the top ten states with the most employers and workers have developed a range of organizational structures. All include unemployment insurance programs and most include labor market information, programs that are funded and mandated by the federal government. Most include labor law enforcement and labor relations and about half include workplace safety and health.

A significant number of other states include many more workforce development programs than the proposed plan for the California Labor & Workforce Development Agency. Half of the states include veteran and youth job training and at least four include the federal welfare-to-work program within the labor agency.

Michigan has structured a separate Department of Career Development which oversees all of its workforce development programs including the state's employment training programs, welfare-to-work, Workforce Investment Act and vocational rehabilitation. Ohio has structured all of the workforce development activity and family social services within its Department of Job and Family Services.

The chart below reflects the diversity among the core labor agencies in other states and the proposed Labor and Workforce Development Agency in California.

	FL	GA	MI	NJ	NY	OH	PA	TX	CA
Workforce Development Programs									
Employment Training	X	X		X	X	X	X	X	X
Job Service/Job Links	X	X		X	X	X	X	X	X
Workforce Investment Act	X	X		X	X	X	X	X	X
Apprenticeship Training						X	X	X	X
Veteran's Training/Employment		X			X	X	X	X	
Youth Job Training	X				X		X	X	
Welfare-to-Work	X	X				X		X	
Employment Insurance Programs									
Unemployment Compensation	X	X	X	X	X	X	X	X	X
Workers Compensation			X	X			X		X
Safety & Enforcement Programs									
Workplace Safety/Health		X	X	X		X	X		X
Labor Law (Wages, Hours)		X	X	X	X		X	X	X
Labor Relations		X	X	X	X		X		X
Labor Market Information	X	X		X	X	X	X	X	X
Social Service Programs									
Social Services						X		X	

Appendix D

History of Labor Agency Proposals

Policy-makers have worked for decades to develop an effective organizational structure for labor-related agencies. Combining labor enforcement, workforce insurance and workforce development into one labor agency has been discussed and nearly implemented on several occasions during the past few decades. Some of the significant events:

1960s

A 1961 Reorganization Plan by Governor Pat Brown created the Employee Relations Agency, combining the Department of Industrial Relations and the Employment Development Department into one agency. The industrial relations director served as a cabinet member without formal secretary status.

Governor Ronald Reagan, by executive order, placed the Department of Industrial Relations under the Agriculture and Services Agency, with the agency secretary serving in the cabinet.

1970s

By a Reorganization Plan, Governor Jerry Brown removed the Department of Industrial Relations from the Agriculture and Services Agency and the director once again served as a cabinet member. Also, the Division of Fair Employment and Housing became a department and, with the Fair Employment and Housing Commission, was transferred to the State and Consumer Services Agency.

Also during Jerry Brown's administration, the California Worksite Education and Training Act was passed. It brought together the diverse training programs to coordinate functions to optimize service for employers and workers. While not an agency, the interaction among the key players brought useful dialogue. The result was an enhanced supply of trained workers, particularly in the field of health care.

Later in the 1970s, Proposition 13 changed the landscape of job training services at the local level. County providers that had administered employment training could no longer afford to provide this service and the workforce development component was absorbed into local social service agencies.

1990s

In the early 1990s, interest in a labor agency was renewed. In 1993, former Assemblymember Terry Friedman proposed AB 1800, a bill that would have combined virtually every labor-related department, commission or board within the State into a labor agency. In 1995 and again in 1999, former Senator Hilda Solis introduced SB 442 and SB 150. Both bills would have formed a labor agency, but with fewer components than the Friedman bill.

In 1998 the Legislature passed the Regional Workforce Preparation and Economic Development Act (RWPEDA). The law required the Department of Education, the Health and Human Services Agency, the Department of Trade and Commerce and the Chancellor of the California Community Colleges to work together to develop an integrated workforce development plan. The policy plan that resulted, *California Workforce Development: A Policy Framework for*

Economic Growth, reviewed the State's workforce development programs and suggested continued coordination among the agencies providing these services.

Workforce Investment Act

In 1998, the U.S. Congress passed the Workforce Investment Act (WIA), which changed the administration of local workforce development programs. The law's intent was to create a streamlined public workforce development system with universal access. For many states, the Workforce Investment Act was an impetus for dramatic changes in workforce development.

California responded to the federal law by creating a Workforce Investment Board at the state level, establishing 50 local Workforce Investment Boards and hundreds of one-stop employment training service centers throughout the state.

SB 25: California Labor and Civil Rights Agency

In the 2000-01 legislative session, SB 25 (Alarcon) proposed the creation of the California Labor and Civil Rights Agency. The bill would have combined the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board, the Department of Fair Employment and Housing, the Fair Employment and Housing Commission, and the Public Employment Relations Board, under a new agency led by a secretary appointed by the Governor and subject to Senate confirmation.

The bill was passed by the Legislature, but was vetoed by Governor Gray Davis.

SB 1236: Labor and Workforce Development Agency

Introduced in January 2002 by Senator Alarcon, SB 1236 proposes the establishment of a Labor and Workforce Development Agency and contains language similar to the Governor's Reorganization Plan.

Appendix E

Commissioner Dissent

April 25, 2002

Michael Alpert, Chairman
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Dear Chairman Alpert:

I have voted against the adoption of the Commission's report on the proposal to reorganize labor-related entities into a new Labor and Workforce Development Agency. The reason is that I believe the inclusion of the Agricultural Labor Relations Board (ALRB) in the new agency would compromise the independence of the ALRB.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard R. Terzian", with a long horizontal flourish extending to the right.

Richard R. Terzian
Commissioner

Notes

1. Government Code Section 12080 and Section 8523.
2. Alicia Bugarin. *California's Job Training, Employment, and Vocational Education Programs*. California Research Bureau. November 2001, CRB-01-014.
3. Wayne Schell, President, California Association for Local Economic Development. Testimony to the Little Hoover Commission. March 19, 2002.
4. Alicia Bugarin. *California's Job Training, Employment, and Vocational Education Programs*. California Research Bureau. November 2001, CRB-01-014.
5. Patricia Nunn, Chair, California Workforce Association and Economic Development Director, City of Santa Ana. Testimony to the Little Hoover Commission. March 19, 2002.
6. Pam Haynes, Legislative Advocate, California Labor Federation. Testimony to the Little Hoover Commission. March 19, 2002.
7. Wayne Schell, President, California Association for Local Economic Development. Testimony to the Little Hoover Commission. March 19, 2002.
8. California Budget Project. *Maximizing Returns: A Proposal for Improving the Accountability of California's Investments in Economic Development*. January 2002.

